A Fresh Look at Industrialization in the BRICS

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This paper explores the nature of the structural change in Brazil, Russia, India, China and South Africa (BRICS). We focus on the respective roles of foreign and domestic investment in these changes. The paper starts out by providing a theoretical overview of the roles of multinational enterprises and domestic investment in industrialization and development, and then sketches the extent structural change in the BRICS, with emphasis on the manufacturing sector. The extent which technological upgrading has driven industrialization through multinational enterprises and domestic investment in these countries is empirically investigated. We show that some of them may be experiencing premature de-industrialization (Brazil and South Africa) and that in all the roles of manufacturing and services differ; the driving sectors within manufacturing are different, and the pattern of and routes to industrialization unique. The importance of domestic investment to strengthen indigenous technological capability is borne out by these different experiences. If there is an untold story in the comparative experiences of the BRICS with industrialization and technological upgrading that our analyses have uncovered, it is that the only cases where structural change has been significant contributor to growth it has been where FDI favored the manufacturing sector and manufactured exports, and where domestic investment become increasingly more important source of investment than FDI in the domestic economy.

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